



**MHLONTLO LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**for the year ended 30 June 2008**

# MHLONTLO LOCAL MUNICIPALITY

## INDEX

<b>1) GENERAL INFORMATION</b>	<b>1 - 2</b>
<b>2) FOREWORD</b>	<b>3</b>
<b>3) TREASURER'S REPORT</b>	<b>4 - 6</b>
<b>4) AUDIT REPORT</b>	<b>7</b>
<b>5) ACCOUNTING POLICIES</b>	<b>8 - 10</b>
<b>6) BALANCE SHEET</b>	<b>11</b>
<b>7) INCOME STATEMENT</b>	<b>12</b>
<b>8) CASH FLOW STATEMENT</b>	<b>13</b>
<b>9) NOTES TO THE ANNUAL FINANCIAL STATEMENTS</b>	<b>14 - 17</b>
<b>10) APPENDICES</b>	
<i>a) Accumulated Funds, Trust Funds, Reserves and Provisions</i>	<b>18</b>
<i>b) Analysis of Property, plant and equipment</i>	<b>19</b>
<i>c) Analysis of Operating income and Expenditure</i>	<b>20</b>
<i>d) Detailed Income Statement</i>	<b>21</b>

### APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on page 1 - 21 were approved by the

Municipal Manager and presented to and approved by Council on 29 August 2008

---

**Municipal Manager**

---

**Chief Financial Officer**

MHLONTLO LOCAL MUNICIPALITY  
GENERAL INFORMATION

**MEMBERS OF THE EXECUTIVE COMMITTEE**

<b>MAYOR :</b>	<i>M. Socikwa</i>
<b>Speaker :</b>	<i>Z. Malangeni</i>
<i>Head-Economic development and planning</i>	<i>J.M. Jikijela</i>
<i>Head-Infrastructure Development and planning</i>	<i>C.M. Kondlo</i>
<i>Head-corporate services</i>	<i>N.N. Mtwazi</i>
<i>Head-Finance</i>	<i>N.Ntobongwana</i>
<i>Head-Community Services</i>	<i>N.V Ndude</i>

**GRADING OF THE LOCAL AUTHORITY**

*Grade 3*

**AUDITORS**

*Auditor General - Eastern Cape*

**BANKERS**

*First National Bank  
Standard bank*

**REGISTERED OFFICE**

*96 Church Street  
Qumbu  
5180*

*Box 31  
Qumbu  
5180*

*Tel: 047-553 7000  
Fax: 047-553 0452*

**MUNICIPAL MANAGER**

*M. Sondaba*

**ACTING CHIEF FINANCIAL OFFICER**

*N.Ponco*

**MHLONTLO LOCAL MUNICIPALITY  
GENERAL INFORMATION**

**OTHER COUNCILLORS**

Member :	<i>M. Ncokothwana</i>
Member :	<i>R.N.Matamana</i>
Member :	<i>P.Tyali</i>
Member :	<i>S.N. Salaza</i>
Member :	<i>M. Katiya</i>
Member :	<i>L.Hlabiso</i>
Member :	<i>V. Mnyande</i>
Member :	<i>N.T.Ngquke</i>
Member :	<i>T.S. Msongelwa</i>
Member :	<i>M. Macingwane</i>
Member :	<i>R.N. Mvamveki</i>
Member :	<i>Z.N. Nondaka</i>
Member :	<i>R.N. Giyose</i>
Member :	<i>Luxolo Manentsa</i>
Member :	<i>M.G. Jara</i>
Member :	<i>N.P. Dolo</i>
Member :	<i>M.S. Mathe</i>
Member :	<i>E. Jubase</i>
Member :	<i>N. Mabandla</i>
Member :	<i>E.Pula</i>
Member :	<i>P.P.Bevu</i>
Member :	<i>N.P.Diabathi</i>
Member :	<i>S.N. Songca</i>
Member :	<i>N.M. Somhlahlo</i>
Member :	<i>N.W. Dyule</i>
Member :	<i>N.Konza</i>
Member :	<i>N. Mkotwana</i>
Member :	<i>X. Mpatane</i>
Member :	<i>V. Nduku</i>
Member :	<i>A. Gqada</i>
Member :	<i>Y. Yaso</i>
Member :	<i>L.Mlamla</i>
Member :	<i>C.M. Mneno</i>
Member :	<i>M. Henama</i>

## MHLONTLO LOCAL MUNICIPALITY FOREWORD

*The functions of the Council centre around promoting the interests of its ratepayers, employees, residents and customers by striving to render the highest quality of services, advancing the interest of its employees by providing safe, secure and satisfying working environments,*

*The elected Council has faced significant challenges since taking up office. From an organisational perspective, some senior management posts are currently occupied by acting managers. One of our immediate goals is to transform our local municipality into a service oriented organisation which will make a positive impact on the quality of life of our citizens by having a permanent management team who are committed to the realisation of the Council's goals.*

*A further important challenge facing Council is to improve the financial position of Mhlontlo Local Municipality. In particular an improvement in the collection of long outstanding debtors balances is critical if the council is to achieve its goals. The unfortunate part is that the unemployment rate in the area has worsened causing many residents not to be able to pay for services. Our ability to render services will be threatened if our cash position does not improve. This is a major problem facing the Local and Provincial Government in South Africa and we hope that workable solutions will be found soon to this challenge.*

*Council remains committed to meeting the challenges it faces and hopefully in future years, I will be able to report positively on the progress we have made in this regard.*

*In conclusion I would like to express my appreciation to my fellow Council members, the Municipal Manager, the Acting Chief Financial Officer, and all other staff for their support, co-operation and hard work during the year under review.*

---

**MAYOR AND CHAIRMAN OF THE  
EXECUTIVE COMMITTEE**

# MHLONTLO LOCAL MUNICIPALITY TREASURER'S REPORT

## 1) INTRODUCTION

Appropriate legislation was complied with in order to provide statements for the year ending 30 June 2008. To the best of my knowledge, these financial statements are a fair presentation of the Council at the above mentioned date and the results of its operation for the year then ended.

## 2) OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendices D.

The overall operating results for the year ended

30 June 2008 are as follows :

<b>INCOME</b>	<b>Actual 2006/07 R</b>	<b>Actual 2007/08 R</b>	<b>Variance Actual 06/07 VS Actual 07/08 %</b>	<b>Budget 2007/08 R</b>	<b>Variance Actual/ Budget %</b>
Operating Income for the Year	53 058 480	59 039 212	11.27%	62 361 760	-5.63%
	<b>53 058 480</b>	<b>59 039 212</b>	<b>11.27%</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURE</b>					
Operating Expenditure	48 267 579	57 021 824	18.14%	42 269 370	25.87%
Capital Expenditure	31 212 002	20 688 146		R 20 092 420	
(Deficit)/ Surplus at year end	<b>132 538 061</b>	<b>136 749 182</b>	<b>3.18%</b>	<b>-</b>	<b>-</b>

## MHLONTLO LOCAL MUNICIPALITY TREASURER'S REPORT

### 2.1) RATE AND GENERAL SERVICES

	Actual 2006/07	Actual 2007/08	Variance Actual Increase/ Decrease %	Budget 2007/08	Variance Actual/ Budget
	R	R	%	R	%
Income	53 421 102	59 039 212	10.52%	62 361 792	<b>5.63</b>
Expenditure	48 267 579	57 021 824	18.14%	62 361 792	<b>9.36</b>
(Deficit) / Surplus	5 153 523	2 017 388	-60.85%	-	<b>-100.00</b>
Surplus (Deficit) as % of Total Income	<b>9.65%</b>	<b>3.42%</b>	<b>-64.58%</b>	<b>0.00%</b>	

### 3) CAPITAL EXPENDITURE AND FINANCING

	Actual 2007/2008 R	Budget 2007/2008 R	Actual 2006/2007
<b><u>Capital Expenditure</u></b>			
Land and buildings	<b>5 753 527</b>	0	399 958
Roads and stormwater	<b>11 730 848</b>	12 695 156	25 632 458
Plant and equipment	<b>0</b>	0	35 825
Office equipment	<b>1 136 791</b>	0	173 733
Community development initiatives	<b>0</b>	0	0
Local Economic Development	<b>0</b>	2 169 271	1 195 440
Car parks, bus terminals & taxi rank	<b>0</b>	0	0
Motor vehicles	<b>2 066 979</b>	0	1 055 502
Community Centres		0	1 579 625
Monuments		0	250 000
Testing Ground		0	705 096
Fencing		0	184 365
Landfill site		0	0
Municipal Garages		0	0
Stock Dams		0	0
Security Measures	-	0	0
Corporate Services		126 303	
Finance		323 496	
Sports and recreation		69 269	
Refuse removal		400 000	
Safety & Traffic		472 104	
Property Services		3 832 310	
Communication Services		4 511	
	<b>20 688 145</b>	<b>20 092 420</b>	<b>31 212 002</b>
<b><u>Financing of Fixed Assets</u></b>			
Contribution from Current Income	-	0	0
Contribution from Other Sources	<b>20 688 145</b>	20 092 420	<b>31 212 002</b>
Grants and Subsidies	-	0	0
	<b>20 688 145</b>	<b>20 092 420</b>	<b>31 212 002</b>

The significant increase in expenditure on capital projects during the year results from our objectives to accelerate the delivery of basic services and construction of infrastructure.

MHLONTLO LOCAL MUNICIPALITY  
TREASURER'S REPORT



**MHLONTLO LOCAL MUNICIPALITY  
TREASURER'S REPORT**

**4) INVESTMENTS AND CASH**

Investments amounted to R 2 810 726 at 30 June 2008 (30 June 2007: R 28 300 379).

More information regarding investments is disclosed in notes 4 to the Annual Financial Statements.

**5) FUNDS AND RESERVES**

The Revolving Fund has decreased to R 102 478 from R 1 337 906 .

More information regarding funds and reserves is disclosed in note 5 and appendix A to the annual financial statements.

**EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for their support during the past year.

\_\_\_\_\_  
Chief Financial Officer

DATE : \_\_\_\_\_

## MHLONTLO LOCAL MUNICIPALITY ACCOUNTING POLICIES

### 1) **BASIS OF PRESENTATION**

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1997) and Report on the Standardisation of the Financial Statements of Local Authorities (2nd Edition, January 1996).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for Capital Expenditure.  
The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.  
Fundamental errors identified have been adjusted for and prior year restated where applicable
- 1.3 The Financial Statements are prepared on the accrual basis as stated :
  - Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as Traffic Fines and business Licenses.
  - Expenditure is accrued in the year that it is incurred.

### 2) **Revenue**

Revenue comprises of assessment rates and refuse income receivable for the year, sundry income and grant income which is either conditional or unconditional.

Assessment rates are levied at an approved annual rate on the value of land and buildings. Refuse is levied at approved monthly flat rates. Sundry income accounted for on a cash receipt basis.

### 3) **FIXED ASSETS**

- 3.1 *Fixed assets are stated :*
  - at historical cost, or
  - at valuation (based on market price at date of acquisition), where assets have been acquired by Grant or Donation, while they are in existence and fit for use.
- 3.2 *Depreciation*

The balance shown against the heading " Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for Depreciation. Apart from Advances from the various Council Funds, assets may also be acquired through :

  - appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation
  - grants and donations, where the amount representing the value of such grant or donation is immediately credited to the " Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed assets are credited to the Revolving Fund.

## **5) FUNDS AND RESERVES**

### **5.1 RESERVES**

Reserve Funds are utilised for purposes for which the reserve is formulated by council. Contributions are made from the operating account and in certain instances according to the policy of the Department of Local Government and Housing.

### **5.2 TRUST FUNDS**

Funds are paid to the Council for specific purposes and consists of Grants and Subsidies from the public or higher Authorities.

### **5.3 PROJECT FUNDS**

Project funds are representative of external funding received in the past and set aside for pre- identified individual projects or a pre-defined general nature of intervention.

## **6) SURPLUSES AND DEFICITS**

Accumulated surpluses reflect the residual of revenue against the sum of operating and capital expenditure reduced by any appropriations.

## **7) INVESTMENTS**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred.

**8) RETIREMENT BENEFITS**

It is the policy of the council to provide retirement benefits for its personnel. Contributions to retirements are charged against income as incurred.

**8) PROVISIONS**

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events and is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**MHLONTLO LOCAL MUNICIPALITY**  
**BALANCE SHEET AS AT 30 JUNE 2008**

		<b>2008</b>	<b>2007</b>
	<i>Notes</i>	<i>R</i>	<i>Restated R</i>
<b>ASSETS</b>			
<i>NON-CURRENT ASSETS</i>		-	-
Property Plant and Equipment	1	-	-
<i>CURRENT ASSETS</i>		6 749 440	18 578 020
Accounts receivable	2	3 938 714	10 058 875
Short-term investments	3	2 810 726	8 464 745
Cash and Cash equivalents	4	-	54 400
<b>TOTAL ASSETS</b>		<b>6 749 440</b>	<b>18 578 020</b>
<b>FUNDS AND LIABILITIES</b>			
<i>FUNDS AND RESERVES</i>		4 153 502	12 731 734
Funds	5	2 778 309	6 825 334
Reserves	5	32 418	1 336 016
Accumulated surplus/(Deficit)		1 342 775	4 570 384
<i>CURRENT LIABILITIES</i>		2 595 938	5 846 286
Accounts Payable	6	217 404	1 520 474
Provisions	7	-	206 104
Bank overdraft	4	2 378 534	4 119 708
		<b>6 749 440</b>	<b>18 578 020</b>

**MHLONTLO LOCAL MUNICIPALITY  
INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

2006/2007	2006/2007	2006/2007 Restated		2007/2008	2007/2008	2007/2008	2007/2008
Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)		Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
53 421 101	79 479 581	(26 058 480)	<b>RATE AND GENERAL SERVICES</b>	59 039 213	77 709 970	(18 670 757)	-
52 829 537	77 386 275	(24 556 738)	<i>Community Services</i>	58 323 445	76 123 812	(17 800 367)	-
591 564	2 093 306	(1 501 742)	<i>Economic Services</i>	715 768	1 586 158	715 768	-
<b>53 421 101</b>	<b>79 479 581</b>	<b>(26 058 480)</b>	<b>TOTAL</b>	<b>59 039 213</b>	<b>77 709 970</b>	<b>(18 670 757)</b>	<b>-</b>
		-	Appropriation for this Year (Refer working papers)			-	
		(26 058 480)	Net (deficit)/ Surplus for the Year			(18 670 757)	
		31 532 246	Accumulated Surplus beginning of the year			4 570 384	
		(903 383)	Prior year adjustments			-	
		<b>4 570 383</b>	<b>ACCUMULATED SURPLUS AT END OF THE YEAR</b>			<b>(14 100 373)</b>	

**MHLONTLO LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
for the year ended 30 June 2008

	Note/	2008	2007
		R	Restated R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>3 481 962</b>	<b>8 617 508</b>
Cash generated by operations	12	1 464 573	4 294 724
Investment income		567 613	972 463
Interest paid		(14 797)	(113 664)
Increase/(Decrease) in working capital	13	1 464 573	3 463 985
		<b>3 481 962</b>	<b>8 617 508</b>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(20 688 146)</b>	<b>(31 212 002)</b>
Purchase of PPE		(20 688 146)	(31 212 002)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4 047 025</b>	<b>(3 449 054)</b>
Increase/(Decrease) in Funds and Reserves		4 047 025	(3 449 054)
<b>NET CASH (OUTFLOW) INFLOW</b>		<b>(13 159 159)</b>	<b>(26 043 548)</b>
<b>Cash effects of financing activities</b>			
(Decrease)/Increase in cash investments	15	(5 654 019)	(19 835 634)
(Decrease)/ Increase in cash balances	16	(7 505 140)	(6 207 914)
		<b>(13 159 159)</b>	<b>(26 043 548)</b>

**MHLONTLO LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

	<b>2008</b>	<b>2007</b> <i>Restated</i>
<b>1.) Fixed Assets</b>		
<i>Fixed assets at the beginning of the year</i>	68 793 213	37 581 211
<i>Capital Expenditure during the year</i>	20 688 146	31 212 002
<i>Restatement per Prior year Adjustment</i>	-	-
<b>Total Fixed Assets</b>	<b>89 481 359</b>	<b>68 793 213</b>
 <i>Less : Loans Redeemed and Other Capital Receipts</i>	 <b>89 481 359</b>	 <b>68 793 213</b>
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>-</b>	<b>-</b>
<i>(Refer to appendix B for more details)</i>		
<b>2.) Debtors</b>		
Consumer debtors	12 224 231	18 344 392
Current portion of long-term debtors	10 113 842	10 309 672
Other debtors	80 875	80 875
VAT	300 000	300 000
	1 729 514	7 653 845
 <b>Less :</b> Provision for Bad Debts	 <b>8 285 517</b>	 <b>8 285 517</b>
<b>AMOUNT TO THE BALANCE SHEET</b>	<b>3 938 714</b>	<b>10 058 875</b>
<b>3.) Investments</b>		
Revolving fund	2 810 726	9 495 637
Gqunu lots	102 744	1 337 906
Retrenchment	1 329 775	1 247 972
IDP	90 171	84 509
Bulk housing	54 728	51 408
Pilot housing (Qumbu)	192 277	79 241
30 Tsolo Pilot housing	867 444	801 660
Pilot housing (Tsolo)	32 801	32 801
Town Planning Fund	44 361	41 428
CIMP Funds	35 222	1 249 526
Youth Centre	28 786	1 880 398
Equitable Share 32 day account	-	18 485
Equitable Share 1 day account	-	278 534
Operational investment	-	95 522
MSP and Special funds	-	960 231
LED	31 359	1 334 982
	1 059	1 034
 <b>AMOUNT TO THE BALANCE SHEET</b>	 <b>2 810 726</b>	 <b>9 495 637</b>
<i>No investments were written off during the year.</i>		
<i>(Refer to appendix A for more details)</i>		



**MHLONTLO LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

**2008**

**2007**

**4.) Bank and Cash**

Main Bank Account - FNB  
Other Bank Accounts - Favourable

Other Bank Accounts - Unfavourable

**AMOUNT TO THE BALANCE SHEET**

#REF!	#REF!
#REF!	54 400
#REF!	#REF!
#REF!	#REF!
2 378 534	4 119 708
#REF!	#REF!

**5.) Funds and Reserves**

**1.1) Statutory funds**

Revolving fund

(Refer to appendix A for more details)

102 744	1 337 906
102 744	1 337 906

**1.2) Trust funds**

Gqunu lots  
Retrenchment  
IDP

(Refer to appendix A for more details)

1 474 673	1 383 889
1 329 775	1 247 972
90 171	84 509
54 728	51 408

**1.3) Project Funds**

Bulk housing  
Pilot housing (Qumbu)  
30 Tsolo Pilot housing  
Pilot housing (Tsolo)  
Town Planning Fund  
CIMP Funds  
Youth Centre

1 200 891	4 103 539
192 277	79 241
867 444	801 660
32 801	32 801
44 361	41 428
35 222	1 249 526
28 786	1 880 398
0	18 485

**TOTAL FUNDS**

**2 778 309**

**6 825 334**

**1.4) Reserves**

MSP and Special Funds  
LED

32 418	1 336 016
31 359	1 334 982
1 059	1 034

**AMOUNT TO THE BALANCE SHEET**

(Refer to appendix A for more details)

2 778 309	6 825 334
-----------	-----------

**MHLONTLO LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

	<b>2008</b>	<b>2007</b>
<b>6.) Creditors</b>		
Trade Creditors and Accruals	217 404	1 341 599
Stale Cheques	#REF!	178 875
<b>AMOUNT TO THE BALANCE SHEET</b>	<b>#REF!</b>	<b>1 520 474</b>
<b>7.) Provisions</b>		
Accounting Fees	#REF!	206 104
Leave Pay	#REF!	-
<b>AMOUNT TO THE BALANCE SHEET</b>	<b>#REF!</b>	<b>206 104</b>
<b>8.) Councillors' Remuneration</b>		
Executive and Council	#REF!	#REF!
	8 219 368	7 466 370
	#REF!	#REF!
<b>9.) Finance Transactions</b>		
Total external interest earned or paid:	552 816	858 799
- Interest earned	567 613	972 463
- Interest paid	(14 797)	(113 664)

**MHLONTLO LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

	<b>2008</b>	<b>2007</b>
<b>10.) Prior Year Adjustments</b>		
Correction of the following errors:		
- Property, Plant and Equipment	-	(903 383)
- Statutory Funds	-	-
- Bank and Cash Balances	-	-
- Creditors & Stores	-	(903 383)
The prior year adjustment relates to adjustments relating to accounting errors in the past.		
<b>11.) Capital commitments</b>		
Commitments in respect of capital expenditure:		
- Approved and contracted for;	-	2 599 842
This expenditure will be financed from;		
- Internal sources and Government Grants	-	2 599 842
<b>12.) Cash generated from operations</b>		
Surplus/(Deficit) for the year	(18 670 757)	(26 058 480)
Adjustments for :		
Appropriations for the year		-
Capital Expenditure	20 688 146	31 212 002
Interest received	(567 613)	(972 463)
Interest paid	14 797	113 664
<b>AMOUNT TO CASHFLOW STATEMENT</b>	<b>1 464 573</b>	<b>4 294 723</b>
	<b>2008</b>	<b>2007</b>
<b>13.) Decrease in working capital</b>		
- Increase in accounts receivable	(6 120 161)	2 789 743
- Decrease in accounts payable and provisions	1 509 174	674 242
<b>AMOUNT TO CASHFLOW STATEMENT</b>	<b>(4 610 987)</b>	<b>3 463 985</b>
<b>14.) Cash flow from financing activities</b>		
- Increase in funds and reserves	4 047 025	(3 449 054)
<b>AMOUNT TO CASHFLOW STATEMENT</b>	<b>4 047 025</b>	<b>(3 449 054)</b>
<b>15.) Decrease in cash investments comprises :</b>		
- Investments realised	5 654 019	(19 835 634)
<b>AMOUNT TO CASHFLOW STATEMENT</b>	<b>5 654 019</b>	<b>(19 835 634)</b>
<b>16.) Increase in Cash and Cash Equivalents:</b>		
- Increase in cash balances	(7 505 140)	(6 207 914)
<b>AMOUNT TO CASHFLOW STATEMENT</b>	<b>(7 505 140)</b>	<b>(6 207 914)</b>

MHLONTLO LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2008

**MHLONTLO LOCAL MUNICIPALITY**  
**ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Balance at 2007-06-30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the year		Balance at 2008-06-30
					Operational	Capital	
<b>STATUTORY FUNDS</b>							
Revolving fund	1 337 906		1 442	163 396		1 400 000	102 744
<b>Total</b>	<b>1 337 906</b>	<b>-</b>	<b>1 442</b>	<b>163 396</b>		<b>1 400 000</b>	<b>102 744</b>
<b>TRUST FUNDS</b>							
Gqunu lots	1 247 972		8 264	73 580	42		1 329 775
Retrenchment	84 509		551	5 111			90 171
IDP	51 408		335	2 989	4		54 728
<b>Total</b>	<b>1 383 889</b>	<b>-</b>	<b>9 150</b>	<b>81 680</b>	<b>46</b>	<b>-</b>	<b>1 474 673</b>
<b>PROJECT FUNDS</b>							
Bulk housing	79 241		536	112 549	49	-	192 277
Pilot housing (Qumbu)	801 660		6 334	59 450		-	867 444
30 Tsolo Pilot housing	32 801			-		-	32 801
Pilot housing (Tsolo)	41 428		2 933	-		-	44 361
Town Planning Fund	1 249 526		16 609	-		1 230 913	35 222
CIMP Funds	1 880 398	200 000		-	1 612	2 050 000	28 786
Youth Centre	18 485				18 485	-	0
<b>Total</b>	<b>4 103 539</b>		<b>26 412</b>	<b>171 999</b>	<b>20 146</b>	<b>3 280 913</b>	<b>1 200 891</b>
<b>TOTAL FUNDS</b>	<b>6 825 334</b>	<b>-</b>	<b>37 004</b>	<b>417 075</b>	<b>20 191</b>	<b>4 680 913</b>	<b>2 778 309</b>
<b>RESERVES</b>							
MSP & Special Reserves	1 334 982		1 558		4	1 305 178	31 359
Local Economic Development	1 034		28		3		1 059
							-
							-
							-
<b>Total</b>	<b>1 336 016</b>	<b>-</b>	<b>1 586</b>	<b>-</b>	<b>6</b>	<b>1 305 178</b>	<b>32 418</b>

**MHLONTLO LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<b>SERVICE</b>	<b>Balance as at 30 June 2007</b>	<b>Expended 2008</b>	<b>Written off, transferred, redeemed or disposed of during the Year</b>	<b>Balance as at 30 June 2008</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>RATE AND GENERAL SERVICES</b>				
<b>Community Services</b>	<b>68 498 835</b>	<b>20 688 146</b>	<b>-</b>	<b>89 186 981</b>
Land and buildings	16 497 554	5 753 527	-	22 251 081
Plant & Equipment	3 451 487	-	-	3 451 487
Office equipment	1 346 717	1 136 791	-	2 483 508
Road construction	37 365 657	11 730 848	-	49 096 505
Fencing	49 209	-	-	49 209
Waterworks infrastructure	2 207 806	-	-	2 207 806
Motor vehicles	3 422 880	2 066 979	-	5 489 859
Testing ground	705 096	-	-	705 096
Monuments	250 000	-	-	250 000
Local Economic Development	1 153 162	-	-	1 153 162
Ward centres	1 579 625	-	-	1 579 625
<b>Economic Services</b>	<b>296 378</b>	<b>0</b>	<b>-</b>	<b>296 378</b>
Sanitation	296 378	0	-	296 378
<b>TOTAL ASSETS</b>	<b>68 793 213</b>	<b>20 688 146</b>	<b>-</b>	<b>-</b>
<b>LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>68 793 213</b>	<b>20 688 146</b>	<b>-</b>	<b>89 481 359</b>
Loans redeemed	645 413	-	-	645 413
Contributions from own revenue	66 218 538	20 688 146	-	86 906 684
Grants and Subsidies	1 929 262	-	-	1 929 262
<b>NET FIXED ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(89 481 359)</b>

**MHLONTLO LOCAL MUNICIPALITY**  
**ANALYSIS OF OPERATING INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<i>Actual 2007</i>		<i>Actual 2008</i>	<i>Budget 2008</i>
R		R	R
<b>INCOME</b>			
48 266 113	Grants and Subsidies	<b>31 486 859</b>	<b>54 006 113</b>
12 710 421	- Provincial Government	1 939 359	11 156 683
35 261 038	- Central Government	29 547 500	42 849 430
294 654	- Other	-	-
5 154 989	Operating Income	<b>27 552 353</b>	<b>8 355 679</b>
1 545 551	- Assessment rates	1 545 550	1 545 551
591 564	- Refuse	591 564	591 564
3 017 874	- Other income	25 415 239	6 218 564
<u>53 421 102</u>	Total income	<u><b>59 039 213</b></u>	<u><b>62 361 792</b></u>
<b>GROSS EXPENDITURE</b>			
48 267 579	Total operating expenditure	<b>37 752 032</b>	<b>42 269 374</b>
20 740 794	- Salaries, wages and allowances	23 559 756	24 890 081
21 807 301	- General expenses	11 725 666	12 089 535
773 220	- Bad debts	-	-
4 946 265	- Repairs and maintenance	2 466 610	4 995 245
-	- Contribution to funds	-	294 513
<u>31 212 002</u>	- Contribution to property, plant and equipment	<u><b>20 688 146</b></u>	<u><b>20 092 419</b></u>
<u>79 479 581</u>	Total expenditure	<u><b>58 440 178</b></u>	<u><b>62 361 793</b></u>
<u><b>(26 058 479)</b></u>	<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	<u><b>599 035</b></u>	<u><b>(1)</b></u>